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**The Interrelationship of National Professional
Associations and National Regulatory Associations
in State Licensure and Regulations - A Justification
for AICPA Involvement in State Licensure**

Presentation at CLEAR Conference

August 15, 1985

by

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American Institute of CPAs

As a member of the staff of the American Institute of CPAs I am required to state that the views expressed in this paper are my own and not official statements of the policies of that organization.

For an understanding of the interrelationship of the CPA profession's national professional association and national regulatory association in state licensure and regulation, it should be realized that there are two levels of professional organizations for CPAs. The Institute is the national association for CPAs and each state has a state society for CPAs. Most CPAs are members of both the Institute and the state societies for the states in which they practice.

The Institute and the state societies are independent of each other but share the common goal of advancement of the CPA profession and cooperate on programs to that end.

In state licensure it is the role of the Institute to develop and propose the model form for state licensure, and for the state societies to work for the adoption of that model as local political conditions permit. Those complimentary functions, however, are carried out in a spirit of cooperation and with extensive exchanges of ideas and opinions. That division of functions also results in the Institute serving as the profession's chief contact with the National Association of State Boards of Accountancy (NASBA) and at the state level the state societies having that primary relationship with the state boards of accountancy.

As to the relationship of Institute and NASBA, it should be borne in mind that those organizations are independent of each other. There is an on-going cordial relationship between them, but the independence of each is respected and preserved. Both organizations, in their programs, endeavor to serve the public interest with the Institute balancing that public interest with the interests of its members.

The interrelationship of the Institute and NASBA is grounded on the following points.

- The Institute has more than 230,000 members. All are CPAs. About half of them are in public practice and the other half are employed in industry, government, and education. The Institute believes it has a duty to its large membership to be watchful of the licensing requirements imposed on them by state statutes and state board regulations.
- A substantial portion of the Institute membership is engaged in inter-state practice as practitioners or, if employed in industry or another non-practice position, may have reason to relocate in another state. The Institute is concerned that, in both circumstances, CPAs are not confronted with artificial barriers to the recognition of their CPA designations in the other states.
- The Institute promulgates standards or guidelines for its members. Those standards are promulgated after lengthy and costly study, debate, and exposure for comment, in observance of due process. Those standards are for:
 - Collegiate education
 - Auditing and accounting services
 - Management advisory services
 - Tax Practice
 - Continuing Professional Education
 - Professional Ethics

For conformity of requirements and reduction of confusion that could be caused by differing requirements, the Institute endeavors in cooperation with NASBA and state societies to have its professional standards accepted by the state boards of accountancy and other regulatory agencies for their regulatory purposes, or incorporated into state law as appropriate.

The Institute has been involved in state licensure since the early 1900s. That early involvement is evidenced by the fact that the Institute's first Model Accountancy Bill was issued in 1916, and the Uniform CPA Examination was first made available to the states in 1917.

Justification for the involvement of the Institute, as a national organization, in state licensure through cooperative efforts with the state societies is grounded on the following factors:

- Many clients of CPAs are in interstate commerce and have branch operations in other states. To serve those multi-state clients, CPAs must be licensed in more than one state. Through model legislation, the Institute provides means for attaining uniformity in state laws to reduce barriers to interstate commerce by those clients and to interstate practice by CPAs.
- Generally accepted accounting principles and generally accepted auditing standards are standards applied by CPAs to financial reports and accepted by the financial and legal communities at large. For commercial entities, there are no special accounting principles that apply solely in one state or auditing standards that are unique in another. Through striving for uniformity in state licensure, the Institute seeks to eliminate artificial barriers to the application of those standards which could impede the acceptance of financial information and reports on a national basis.
- The interstate practice of CPAs, arising from the interstate commerce of their clients, necessitates the acceptance of CPAs across state borders for their professional competences. That acceptance is based on their attaining the CPA designation under uniform conditions and maintenance of their competence. The Institute, by proposing uniform requirements for issuing the CPA certificate and for relicensing under mandatory continuing education and disciplinary measures, serves to facilitate the interstate acceptance of CPAs for their competence.
- By assuming leadership, the Institute provides guidance to the state societies and others for emerging legislative developments and issues. Ideas for improving or strengthening accountancy regulation are identified by the Institute and suggested to the states for adoption. By such means proposals for matters such as mandatory continuing education, upgrading of collegiate education requirements, peer reviews or disciplinary measures and the like have been advanced by the Institute and placed in effect by the states.

These comments have been directed to the reasons why the Institute, a national organization, is involved in state legislature. The techniques and tools employed by the Institute to that end, of course, not the subject of this paper.